



House of Representatives

General Assembly

File No. 20

February Session, 2006

Substitute House Bill No. 5462

House of Representatives, March 15, 2006

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING TRANSFER OF INSURANCE POLICIES TO AFFILIATE INSURERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-330 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2006*):

3 Each property and casualty insurer which at the time of policy
4 renewal, transfers any policy to an affiliate as a result of a merger or
5 acquisition of control, shall provide notice to policyholders at least
6 sixty days prior to the effective date of transfer. Such transfer shall not
7 require a nonrenewal or cancellation of the policy.

8 Sec. 2. Subsection (a) of section 38a-323 of the general statutes is
9 repealed and the following is substituted in lieu thereof (*Effective*
10 *October 1, 2006*):

11 (a) No insurer shall refuse to renew any policy which is subject to
12 the requirements of sections 38a-663 to 38a-696, inclusive, unless such

13 insurer or its agent sends, by registered or certified mail or by mail
14 evidenced by a certificate of mailing, or delivers to the named insured,
15 at the address shown in the policy, at least sixty days' advance notice
16 of its intention not to renew. The notice of intent not to renew shall
17 state or be accompanied by a statement specifying the reason for such
18 nonrenewal. This section shall not apply: (1) In case of nonpayment of
19 premium; [or] (2) if the insured fails to pay any advance premium
20 required by the insurer for renewal, provided, notwithstanding the
21 failure of an insurer to comply with this subsection, with respect to
22 automobile liability insurance policies the policy shall terminate on the
23 effective date of any other insurance policy with respect to any
24 automobile designated in both policies; or (3) if the policy is
25 transferred from the insurer to an affiliate of such insurer for another
26 policy with no interruption of coverage and contains the same terms,
27 conditions and provisions, including policy limits, as the transferred
28 policy. With respect to an automobile or homeowners policy, each
29 insurer that sends or delivers a notice of nonrenewal pursuant to this
30 subsection shall use the same method to send or deliver such notice to
31 any third party designated pursuant to section 38a-323a.

32 Sec. 3. Section 38a-324 of the general statutes is repealed and the
33 following is substituted in lieu thereof (*Effective October 1, 2006*):

34 (a) After a policy of commercial risk insurance, other than workers'
35 compensation insurance and automobile insurance issued under a
36 residual market mechanism as described in section 38a-329, has been
37 in effect for more than sixty days, or after the effective date of a
38 renewal policy, no insurer may cancel any policy unless the
39 cancellation is based on the occurrence, after the effective date of the
40 policy or renewal, of one or more of the following conditions: (1)
41 Nonpayment of premium; (2) conviction of a crime arising out of acts
42 increasing the hazard insured against; (3) discovery of fraud or
43 material misrepresentation by the insured in obtaining the policy or in
44 perfecting any claim thereunder; (4) discovery of any wilful or reckless
45 act or omission by the insured increasing the hazard insured against;
46 (5) physical changes in the property which increase the hazard insured

47 against; (6) a determination by the commissioner that continuation of
48 the policy would violate or place the insurer in violation of the law; (7)
49 a material increase in the hazard insured against; or (8) a substantial
50 loss of reinsurance by the insurer affecting this particular line of
51 insurance. If the basis for cancellation is nonpayment of premium, at
52 least ten days' advance notice shall be given and the insured may
53 continue the coverage and avoid the effect of the cancellation by
54 payment in full at any time prior to the effective date of cancellation. If
55 the basis for cancellation is conviction of a crime arising out of acts
56 increasing the hazard insured against, discovery of fraud or material
57 misrepresentation by the insured in obtaining the policy or in
58 perfecting any claim thereunder, discovery of any wilful or reckless act
59 or omission by the insured increasing the hazard insured against or a
60 determination by the commissioner that continuation of the policy
61 would violate or place the insurer in violation of the law, at least ten
62 days' advance notice shall be given. In all other cases, at least sixty
63 days' advance notice shall be given. Notwithstanding the provisions of
64 this section, the advance notice period for cancellation of any
65 professional liability policy, as defined in section 38a-393, shall be at
66 least ninety days. No notice of cancellation shall be required if such
67 policy is transferred from an insurer to an affiliate of such insurer for
68 another policy with no interruption of coverage and contains the same
69 terms, conditions and provisions, including policy limits, as the
70 transferred policy. No notice of cancellation shall be effective unless it
71 is sent, by registered or certified mail or by mail evidenced by a United
72 States Post Office certificate of mailing, or delivered by the insurer to
73 the named insured by the required date.

74 (b) No surplus lines insurer shall be deemed to be eligible to write
75 coverage for risks as provided in sections 38a-741 to 38a-744, inclusive,
76 38a-777 and 38a-794, unless such insurer complies with the
77 requirements of subsection (a) of this section.

78 Sec. 4. Subsection (c) of section 38a-343 of the 2006 supplement to
79 the general statutes is repealed and the following is substituted in lieu
80 thereof (*Effective October 1, 2006*):

81 (c) This section shall not apply to nonrenewal or if the private
82 passenger motor vehicle liability insurance policy is transferred from
83 an insurer to an affiliate of such insurer for another policy with no
84 interruption of coverage and contains the same terms, conditions and
85 provisions, including policy limits, as the transferred policy.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2006</i>	38a-330
Sec. 2	<i>October 1, 2006</i>	38a-323(a)
Sec. 3	<i>October 1, 2006</i>	38a-324
Sec. 4	<i>October 1, 2006</i>	38a-343(c)

INS*Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill eliminates the requirement that a property and casualty insurer send a cancellation notice to a policyholder when the insurer transfers the policy to an affiliate insurer for another policy, under certain conditions. The bill has no fiscal impact.

The Out Years

There is no fiscal impact in the out years.

OLR Bill Analysis
sHB 5462***AN ACT CONCERNING TRANSFER OF INSURANCE POLICIES TO
AFFILIATE INSURERS.*****SUMMARY:**

This bill eliminates the requirement that a property and casualty insurer, including a private passenger motor vehicle insurer, send a cancellation notice to a policyholder when the insurer transfers the policy to an affiliate insurer as long as (1) there is no interruption of coverage and (2) the policy issued by the affiliate contains the same terms, conditions, and provisions, including policy limits, as the transferred policy. The bill specifies that the transfer does not require the insurer to cancel the policy.

By law, and unchanged by the bill, a property and casualty insurer must notify policyholders when, at the time of policy renewal, it transfers any policy to an affiliate because of a merger or acquisition. The notice must be sent at least 60 days before the policy transfer effective date.

EFFECTIVE DATE: October 1, 2006

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/07/2006)